23rd August 2022

GENERAL SUMMARY OF CONDITIONS

Alliance networks (Shipping Line Consortiums) operating from Asia are experiencing delays of up to a month due to worsening port congestion at both ends of the trade lane.

China, India, South East Asia and North America as a result of port congestion, reduced equipment and capacity, shortages of drivers and supplier backlogs has assisted in forcing average pricings 3-4 times higher than in the same period in 2020.

Some carriers, such as Hapag Lloyd have reportedly told investors recently that average voyage delay days had “tripled” in the first half of this year, compared with the same period of 2020. “That means we need more boxes to ship the same amount of cargo, and more ships which we cannot get, to carry them,” they have said

One carrier source told *The Loadstar New Paper* recently his line had “virtually given up” on trying to regain schedules. “Delays in North Europe were bad enough, but now we are facing congestion in China the schedules are shot to pieces and, effectively, they have become rolling schedules,” they said

As reported in The Loadstar recently - with the supply chain considerably lengthened and demand remaining strong in the build-up to the holiday season, Maersk advised shippers they should “consider booking your containers at least three to four weeks beforehand”. It added: “If you’re looking to ship promptly and to make sure your cargo arrives at destination in time for the holidays this year, follow our suggestion and plan your strategy up front.”

As scarce shipping capacity forces more Australian shippers onto the spot market pricing, rising container detention costs are piling more pressure on supply chains as well. Empty container parks, whilst better than 6 months ago, remain at capacity.

According to the Container Transport Alliance Australia (CTAA), cargo owners are already dealing with shipment delays, rolled cargo, equipment shortages and unprecedented freight rates.

Not only has the industry been forced into the spot market for pricing to secure container import space on vessels, rather than longer-term contract conditions common on these lanes, many of the carriers have also shortened the free-days available from when containers are off loaded and need to be returned. Many carriers have begun counting free days from the time a container is discharged from a vessel, rather than when it is ready for pick-up from the terminal.

CTAA director Neil Chambers said: “This puts pressure on the importer and transport provider to get the container picked up, unstuffed and returned in a clean condition [on time].” He said reduced free time would result in an “enormous shock” to the landside logistics sector, as the volume of containers handled would lead to more delays and increased detention fees.

EXPORTS AND CONTAINER SHORTAGES

Australian Exporters are also being badly affected. Delays in obtaining a booking and the huge lack of equipment available in Australia that is caught up in congested transhipment hubs like Singapore and Port Klang are only adding to the problems.

All throughout Asia, South East Asia, North America and the South Pacific carriers are electing to ship empty equipment back to Asian ports to use on higher yielding trade lanes rather than carry lower value cargo out of these countries to destinations that the carriers cant earn the same profits.

Giving an update on operations recently, Gene Seroka, the executive director of the Port of Los Angeles told reporters: “Our largest export commodity continues to be air as we reposition empty containers back to Asia.”

It has been reported in the last few weeks, for example, ONE Line announced a string of port omissions for Sydney, Brisbane and Melbourne, and export ports in Japan, China and Korea, citing the need for schedule recovery, due to port congestion and industrial action.

SINGAPORE TRANSHIPMENT HUB - DELAYS

Average turnaround times in Singapore have reached unbelievable levels with 4-6 week turnaround times now the norm.

Normally 2-3 days, overbooked mother vessels arriving to meet feeder vessels waiting at port to turn container cargo around has created extreme congestion.

Of course the recent COVID-19 lock downs in Yantian and Ningbo as well as delayed vessels returning from Europe and North America and the ripples from global bottlenecks in warehousing, transport and sea ports around the globe has only fuelled the congestion as demand starts to peak leading to peak season period.

Many carriers are not updating transhipment vessel delays with update arrival, connection and confirmed on board details. TCF and our partners are continuing to obtain information as quickly as possible in order to update schedules and ETA information required by our customers.

HIGHLIGHT ON CHINA, USA and INDIA

CHINA

TCF can report that average freight rates from main ports in China are now 3-4 times higher than the same period in August last year hitting $4000 - 4500. Our predictions have average rates from the main ports in China increasing every month from now until November reaching a peak between USD 5500 and USD 6000 per 20' container. Pricing will remain at these levels with average validities expected to remain 14 days through the Australian summer with no respite predicted until late February or even March 2022.

TCF can report some good news in the last few days, that cargo moving via the Meishan Island Container Terminal at Ningbo-Zhoushan Port will start moving again with the partial reopening to start on the 24th August, and a full reopening scheduled for 1 September. Its anticipated that it will take 10 – 14 days to clear the backlog with normal operations predicted by the middle of September.

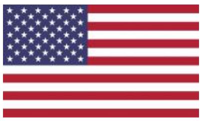
A similar COVID-19 event at Yantian in June and the impact of Typhoon In-Fa in July have hampered manufacturers' exports from China. Demand is high and the Carriers continue to keep their vessels at full capacity.

Pressure on supply chains is building as a result of a series of incidents including the closer of the Meishan port in Ningbo the most recent, and the latest data suggests nominal capacity is approaching levels seen in the early days of the pandemic when carriers blanked sailings in the first half of last year.

Looking forward there are rumours that Ocean carriers are reported to be considering a new round of blank sailings from Asia around China's Golden Week holiday, in the first week of October, to support their massive rate gains of the past year. Record high rates from Asia to Europe, the USA and South Pacific show no sign of easing with Freight Forwarders, Shippers and NVOCC's engaging in daily "bidding wars" for space on vessels with ocean carriers. Blank sailings would only put more pressure on the capacity and pricing leading up to the October holidays.

In years gone shipping lines would normally reduce services and capacity around Golden Week to halt the slide in pricing that is normal in the slack winter months. With pricing and demand at an all-time high that hasn't occurred this year with carriers delaying repairs and dry-docking of their vessels that would normally occur, to take full advantage of the market conditions. When those repairs and normal maintenance will take place is unclear, but they will need to do so soon which will only put further pressure on an already buckling trade.

USA



Meanv [illegible]on in Asia, Europe and the US has severely affected carrier services, cutting available capacity as ships sit at anchorage awaiting berths to load and unload cargo. California reported 49 vessels waiting off the port to be berthed earlier this week. Import containers that were discharged some 3-4 weeks ago in some cases are still on the port buried in container stacks yet being worked to move the containers inland.

The backlog is so severe that the Marine Exchange if Southern California has been forced to open drift areas as both its bays are now full. The number of vessels at anchor is expected to rise throughout August with an anticipated 90% of vessels arriving heading to Anchor awaiting a berth. Subsequently the average dwell times for containers at Terminals is approximately 5.3 days, warehouses 8.3 days and rail are over 13 days.

FAK and LCL services from North America, Europe and indeed all of Asia and the Indian Subcontinent remain in high demand with bookings required 3-4 weeks in advance. LCL pricing has seen dramatic increases in the past 12 months, due to not only increased container rates but the increased costs at origin for labour, warehousing, and transport as a direct reflection on local market COVID-19 lock downs. With the well-publicised shortage of drivers throughout the USA, the transport industry now requires fixed booking and penalties for cancellation or delays with exporters required to confirm loading dates 2-3 weeks in advance in an attempt to secure a driver and chassis equipment for their loads.

Many of the Ocean carriers now will not allow the movement of containers from the US coast into the Mid-West final destinations, forcing importers and our partners to unpack their cargo in warehousing on the coast and transport their goods via truck. The obvious cost implication and reduction is empty container capacity in the Mid-West for Exports to use is at unbelievable levels.

INDIA

In countries like India where COVID-19 lock downs remain like Australia, at least until the end of August, government shutdowns of commercial flights leave only P2C (passenger flights used for cargo transport only) and freighter Aircraft. Aircraft capacity is at an all-time low whilst rates are at an all-time high with an acute shortage of space particularly in Southern India (Mumbai). Other regions have minor backlogs, but bookings are manageable. Ocean Carrier delays and vessel congestion is mounting with price hikes very volatile. All Indian major ocean ports are experiencing equipment shortage with vessels and equipment delayed in hubs like Singapore. Delays in obtaining FCL bookings from India to the world is now averaging 4-6 weeks with vessels overbooked and continuing to roll or depart well after advertised schedules.

TCF's partner in India remains open with staff split between working at home and the office